

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C., 20268-0001

Market-Dominant Price Change

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Docket No. R2022-1

**COMMENTS OF MPA – THE ASSOCIATION
OF MAGAZINE MEDIA**

(May 6, 2022)

Pursuant to Order No. 6146, MPA – The Association of Magazine Media (“MPA”) respectfully submits these comments on the Postal Service’s proposed rate adjustments for market-dominant products. It should go without saying (but bears repeating) that we are disappointed to see that “[t]he Governors have determined to use virtually all” of the Postal Service’s rate authority for the second time under the new ratemaking regulations.¹ This includes a massive 8.54 percent classwide price increase on Periodicals that will increase pressure on publishers to reduce title frequency or go entirely digital, taking more volume out of the mail. While we understand that the Commission intended for the new rate regulations to encourage “prudent pricing” by the Postal Service,² that prudence has not yet materialized.

The remainder of our comments focus on the proposed workshare discounts for products in the Periodicals class.

¹ Docket No. R2022-1, United States Postal Service Notice of Market-Dominant Price Change (April 6, 2022) at 1, 4.

² Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products (Nov. 30, 2020) at 270.

Passthroughs Are More Compliant, But There is Room for Improvement

We commend the Postal Service for proposing Periodicals workshare discounts that largely trend in the right direction. As the Commission recently observed, 25 of the 63 workshare discounts that had passthroughs of less than 85 percent in FY2021 were in the Periodicals class.³ Only nine proposed workshare discounts in the Periodicals class would result in below-85 percent passthroughs – a significant improvement.

We note, though, that presort and pre-barcoding discounts remain well below efficient levels. As Table 14 of the USPS Notice shows, even those passthroughs that exceed 85 percent barely do so, and most Periodicals passthroughs are below 86 percent. The Commission should encourage the Postal Service to move the passthroughs underlying these discounts closer to 100 percent in future proceedings.

Efficient Pricing For Outside County Carrier Route Remains Crucial

The Postal Service proposes to increase the Outside County Carrier Route Basic passthrough from 68 percent to 85.3 percent. This will, technically, make the Carrier Route Basic discount compliant with applicable Commission regulations. There still exists significant sunlight between minimally compliant and efficient, though: the Commission should emphasize how critical it is to move this discount toward a 100 percent passthrough.

As MPA has consistently pointed out, the Carrier Route Basic discount is particularly important because it incentivizes comailing, the highly efficient practice of

³ Docket No. ACR2021, Annual Compliance Determination Report (March 29, 2022) at 20 (hereafter “2021 ACD”).

building mailing density by combining smaller, higher-cost mailings into larger, more efficient ones.⁴

The Commission Should Prohibit Passthroughs Above 100 Percent From Being Reduced More Than Necessary to Reach ECP

MPA also urges the Commission to close a loophole that enables the Postal Service to evade the intent of the Commission's workshare rules. The purpose of the PRC's workshare rules is to improve the efficiency of USPS pricing by pushing workshare passthroughs closer to 100 percent over time and, at a minimum, disallowing them from creeping further away.

Towards this end, Part A of §3030.282 (entitled "Increased Pricing Efficiency") precludes the Postal Service from adjusting discounts that are equal to cost avoided. Similarly, Part B prevents the Postal Service from increasing discounts that exceed avoided cost and Part C disallows reductions in discounts that are below avoided cost. However, as identified by the Public Representative in Docket No. R2021-2,⁵ a loophole in the workshare rules allows the Postal Service to reduce a discount currently set above avoided cost, even if only marginally, all the way down to 85 percent of the cost avoidance.

In the instant case, the Postal Service is taking advantage of this loophole to reduce the efficiency of the presort discount for Periodicals Outside County Machinable Nonautomation 3D/SCF Flats. Specifically, the Postal Service proposes to reduce the passthrough underlying this discount from 101.9 percent (1.9 percent above the efficient

⁴ Docket No ACR2021, Comments of MPA – The Association of Magazine Media (January 31, 2022) at 3.

⁵ Docket No. R2021-2, Public Representative Corrected Comments (June 28, 2021) at 17-18.

level) to 86.5 percent (13.5 percent below the efficient level). This proposed discount does not violate the Commission's rules as written, but is in clear conflict with the intent of PRC's workshare rules generally. The Commission has already warned that if "the Postal Service was using the 85 percent passthrough floor as a safe harbor and not taking steps to move workshare discounts toward 100 percent passthroughs, the Commission would reconsider the rules on workshare discounts" during its next review of the ratemaking system.⁶ The Commission need not wait until its next ratemaking review: increased pricing efficiency dictates that the PRC should reject such proposals *now*.

Respectfully submitted,

/s/ Eric S. Berman

Eric S. Berman
Venable LLP
600 Massachusetts Ave., N.W.
Washington, DC 20001
(202) 344-4661
esberman@venable.com

*Counsel to MPA – The Association of
Magazine Media*

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⁶ 2021 ACD at 24.